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JAPANESE POLITICS: A NEW ERA?

Summary

1989 may go down in history as a watershed in postwar Japanese politics: for the first time in its 34-year history the ruling Liberal Democratic Party lost its majority in the House of Councillors, while the Japan Socialist Party, the largest opposition group, realized unprecedented gains. Analysts have attributed the electoral results to widespread public disaffection with the ruling party's brand of "money politics" as exemplified by the Recruit Co., Ltd. influence-peddling episode as well as the LDP government's June 1988 decision to liberalize imports of beef and oranges and the April 1 implementation of a 3 percent consumption tax.

While the LDP is working to enact political reforms to restore the electorate's faith, the JSP is attempting to capitalize on the ruling party's blunders and is moderating some of its left-wing policy positions. How well each succeeds may determine whether the next election, that of the powerful lower house, will lead to a U.S.-style two-party system, a coalition government or resurging LDP fortunes.

In the meantime, Japanese politics will continue to be shaken up, providing bureaucrats with greater freedom to influence foreign and international economic policy initiatives. If implementing legislation is required, however, the current disarray among politicians may result in a harder-line Japanese position on external disputes.

Japanese Voters Rebuke Ruling Party

Japanese voters issued the ruling Liberal Democratic Party a sharp rebuke July 23 when they reduced the ruling party's 142-seat majority in the House of Councillors to a plurality of 109 seats in the 252-seat chamber. The electorate chose 46 Japan Socialist Party candidates versus only 36 LDP members to fill the 126 seats up for election, well below the 54 seats the ruling party needed to maintain its majority in this chamber. This boosted the JSP's previous roster of 43 to an unprecedented 72 upper house members. When the JSP total is combined with the other non-LDP parties, Japan's political opposition -- once described as a "permanent opposition" since it appeared unable or unwilling to break the LDP's grip on power -- holds a clear majority in the House of Councillors (see Chart 1). As will be discussed below, the ideological and leadership differences among the opposition parties may make it difficult for them to forge a united, effectual political force.

Chart 1: The House of Councillors

*Party Strengths in the Japanese Diet Upper House**

Political parties	Old strength	Seats not up for election	Seats up for election	Seats won	New strength
Liberal Democratic Party	142	73	69	36	109
Japan Socialist Party	43	21	22	46	72
Komeito	23	11	12	10	21
Japan Communist Party	17	9	8	5	14
Democratic Socialist Party	12	5	7	3	10
United Social Democratic Party	1	0	1	0	0
Rengo	1	1	0	11	12
Others	8	3	5	5	9
Independents	5	3	2	10	5
Total	252	126	126	126	252

*As of August 7, 1989. Some discrepancies between "seats won" and "new strength" are due to post-electoral realignments by Independents, primarily to the JSP and the DSP.

The JSP's surge does not mean the end of LDP preeminence in government. The ruling party still commands a significant majority in the lower house (see Chart 2), which is the lead policymaking chamber and elects the prime minister. However, a divided Diet could have important policy implications. Since the House of Councillors has the final say on legislation passed by the lower house, the opposition -- which in addition to the JSP, Komeito, the Democratic Socialist Party and the Japan Communist Party includes several single-issue parties -- has indicated it will try to use its numerical advantage in this chamber to hold up action on the budget or other critical legislation in an effort to win concessions from the LDP. (On spending bills this tactic works for only a month since, by law, lower house actions on government expenditures take effect in 30 days if the upper house has not acted.)

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Under certain circumstances, if the House of Councillors rejects a House of Representatives initiative outright, the lower house would have to garner a two-thirds majority to override the other chamber's veto, or 49 more votes than the LDP's current majority assures. In this situation, the ruling party would have to coopt support from some of the opposition parties, probably the DSP and Komeito, which are closer to the ruling party on many policy issues. This task certainly would be easier if, as some analysts speculate, the ruling party in the near future forms a coalition government including Democratic Socialist, Komeito or other non-LDP officials.

Chart 2: The House of Representatives
Party Strengths in the Diet Lower House

Political parties	Present strength
Liberal Democratic Party	293
Japan Socialist Party	83
Democratic Socialist Party	26
Komeito	54
Japan Communist Party	26
United Social Democratic Party	4
Others	11
Vacant	15
Total	512

Source: *The Economist*, July 29, 1989

The fact that the LDP lost its upper house majority did not come as a complete surprise: as a prelude to its July 23 trouncing, the ruling party had suffered stinging defeats in a July 2 Tokyo municipal election and a June 25 upper house by-election in Niigata prefecture, heretofore a conservative stronghold (see JEI Report No. 26B, July 7, 1989). The LDP knew discontent was building at the grass roots. However, the severity of its losses left many in the ruling party dazed and prompted political commentators to suggest that Japanese politics were entering a new era -- an era not necessarily characterized by LDP dominance.

In pondering their upset, ruling party members acknowledge that a convergence of factors turned voters away from the LDP:

Recruit Co., Ltd. influence-peddling scandal - Last summer's revelation that key political figures and businessmen in Japan had profited from insider trading of Recruit Cosmos Co., Ltd. stock blossomed into the worst scandal to beset Japanese politics in recent history. Although the scandal started with the real estate firm, it quickly spread to encompass all political and corporate favors bestowed by its parent, which is involved in employment information and communications services. When the Tokyo Public Prosecutor's office announced May 29 that its arduous 260-day investigation into Recruit's influence-buying activities had ended, 14 government bureaucrats, businessmen and Diet members had been indicted -- mainly for bribery-related crimes -- and some 45 politicians, including Prime Minister Noboru Takeshita, had chosen or been forced to resign because of their involvement with the conglomerate (see JEI Report No. 22B, June 9, 1989).

Even before the arrests for bribery, public outcry over the Recruit affair was very strong. Japanese voters long have been aware that their elected

representatives needed to raise enormous sums of money under the guise of serving their constituencies, which included jockeying for power within party factions. Yet the aggressive efforts of Hiromasa Ezoe, head of the Recruit organization, to make inroads into the inner decisionmaking circles by buying political influence caused the public to reassess the system and grapple with parameters for what is an accepted form of political behavior and what is intolerable (see JEI Report No. 10A, March 10, 1989).

The Recruit affair sorely offended the public's sense of what is just and fair. This is largely because the sums of money involved and the ease with which the politicians had access to it contrasted with the view of an increasing segment of the population that it is struggling under the mantle of inflated living costs. Japanese voters turned to the voting booth to register their distrust and dissatisfaction with the clubby, "smoky backroom" world of LDP politics. The dominoes began to fall in February 1989 when a JSP candidate won an upper house by-election in Fukuoka prefecture. This was followed by LDP defeats that same month in elections in Oita (gubernatorial) and Kagoshima (municipal) prefectures, which helped to build momentum for the aforementioned Niigata and Tokyo setbacks.

Consumption tax - The public's perception that the ruling party was out of touch with its interests and needs was reinforced with the LDP-led government's April 1 implementation of a 3 percent consumption tax -- a measure that was so controversial that the LDP had to use its majority to ram it through parliament last December (see JEI Report No. 1B, January 6, 1989). Implementation of the tax had a galvanizing effect on urban Japanese and particularly on women, who became increasingly active in various consumer protest groups. Women, who traditionally handle the household shopping and family finances, directly experienced the revenue-raising aspect of the tax because they were forced to pay more with each purchase. In essence, they took the tax personally; they were affronted by the immediate increase in their costs of maintaining a home. This dissatisfaction, against a backdrop of growing evidence of political corruption in the highest ranks of the ruling party, further mobilized Japanese women into a potent voting bloc. Their influence became increasingly clear in elections held after the impact of the tax began to be felt.

Liberalization of beef and orange quotas - What makes the LDP's losses in the upper house all the more significant is that ruling party candidates went down to defeat in many rural districts that until recently were considered inviolable LDP strongholds. Of the 26 rural constituencies where seats were up for election, the LDP won three; nine went to the JSP; another nine went to a new political group launched by the Japanese Private Sector Trade Union Confederation (Rengo), and the remainder was split among other parties. These results appear to reflect in particular the extreme unpopularity of the government's June 1988 decision to liberalize imports of beef, oranges and orange juice (see JEI Report No. 42A, November 4, 1988). Analysts also have speculated that Tokyo's 1987 and 1988 cuts in the producer price for rice (which was frozen this summer at last year's level when the ruling party sensed farm vote troubles) added to the negative sentiments feeding the public's anger at the LDP over Recruit and taxes.

Uno sex scandal - The proverbial straw that broke the camel's back with some Japanese voters concerned reports of then Prime Minister Sosuke Uno's marital infidelities. Mr. Uno, who had been foreign minister in the Takeshita

cabinet, was selected June 1 as LDP party president by ruling party elders, who were relieved after a five-week search to find a successor for Mr. Takeshita untainted by the Recruit affair. Less than a week into his new administration, however, Mr. Uno became the target of reports that he not only had had sexual relations with geishas over several years but had treated them cheaply.

That this story ever saw the light of day is highly unusual in a nation that traditionally has respected a politician's privacy on these matters. Some Japanese political observers have suggested that this episode proved that Mr. Uno, who until that point was the only nonfaction leader to be elected prime minister in LDP history, lacked the requisite political influence and leadership capabilities to govern the country since he apparently was unable to prevent the story's publication.

In any event, these reports struck a raw nerve among the Japanese people -- including female Diet members, who urged the prime minister to testify before parliament on this matter. To add insult to injury, Mr. Uno's agriculture minister made several sexist remarks at a July 7 political gathering, including a highly inflammatory statement that JSP president Takako Doi was unfit for political leadership because, unlike British Prime Minister Margaret Thatcher, Ms. Doi is unmarried and has no children.

The so-called Uno sex scandal caused outraged women voters to flock toward the Socialist fold, where the charismatic Ms. Doi championed an overthrow of what, she maintained, had become a corrupt "old boys" club. But repercussions from the sex scandal also may have affected male voters more than they would admit openly. The geisha story, the agriculture minister's remarks and reports that none of his upper house colleagues had requested Mr. Uno's help in their campaigns created an impression that the new prime minister could not control his cabinet or his political agenda. "There [was] a perception that the Uno cabinet [was] undisciplined and not in control of state affairs," a Japanese political analyst was quoted as saying. "And that is the major factor in the electorate's loss of faith in the LDP." Even some members of the business community, a traditional bulwark of Liberal Democratic support, concurred. "The LDP's defeat reflected the fact that the Japanese public is increasingly critical of its arrogance and lax self-discipline as a ruling party," said Takuma Yamamoto, president of Fujitsu, Ltd.[1]

Reading the Electorate: Protest Votes or Pro-Socialist Shift?

The ruling party's repeated electoral failings this year might suggest that Japanese politics is undergoing a "revolution."[2] However, while voters emphatically have indicated that they are fed up with the ruling party's conduct and some of its policies, it would be premature to conclude that the electorate is shifting to the political left. The upper house election results, in particular, generally are interpreted as an anti-LDP reaction or backlash vote rather than an endorsement of the JSP's policies and leadership acumen.

[1]Katsuro Kitamatsu, "LDP Moving to Recapture Popular Base," Japan Economic Journal, August 5, 1989.

[2]"Japan's Next Revolution," Economist, July 29, 1989, p. 15.

At least until now, the Socialists really have not given the public much depth in the way of a concrete, coherent and practicable economic and/or foreign policy plan. The major thrust of JSP campaign rhetoric simply has been to hammer at the ruling party's shortcomings. Ms. Doi captured the public's attention because she articulated its anger over the consumption tax, liberalization of beef and orange imports and the LDP's ethical behavior, not because she offered fresh policy "vision." As will be discussed below, this weakness, as well as the JSP's lack of hands-on national leadership experience, may deter the Socialists from forging a consensus among the opposition parties in the upper house. It also may impede their ability to assume a leadership role in any LDP/opposition party coalition that may emerge as a result of lower house elections. By law these elections must be held before next July, although opposition parties are urging an earlier polling date.

However, the JSP's gains do offer a good example of a successful campaign strategy and how the personal appeal of a politician can give additional impetus to an emerging voting bloc. Ms. Doi was in the right place at the right time to exploit Japanese women's growing opposition to LDP policies and practices and general dissatisfaction with the male-dominated worlds of politics and business.

The Socialists launched what has been dubbed a "madonna" strategy -- that is, deliberately fielding as many female candidates as possible to attract the support of Japan's growing legions of disaffected women voters. And, to the surprise of some political pundits, "madonnas" proved successful in both the Tokyo municipal election and the upper house contest. An all-time high of 17 JSP female candidates won seats in the Tokyo election, up from nine in the 1985 contest. Of the 17 women elected to the House of Councillors in July, 10 are JSP members, an impressive showing since the Socialists fielded only 12 female candidates. But again, analysts surmise that Japanese women propelled these candidates to national office because of what they represented symbolically rather than substantively.

Another indication that the electorate was responding to Ms. Doi's charisma and anti-LDP vitriol rather than shifting its ideological views was the fact that Japan's other major opposition parties suffered a net loss of upper house seats. Komeito now has 21 votes, down from 23 in the last House of Councillors session; the Japan Communist Party delegation was reduced by three to 14; and the Democratic Socialist Party lost four seats, lowering its upper house representation to only eight members. (In the week following the election, two members of smaller parties aligned with the DSP, bringing its upper house tally to 10 at JEI press time.)

Both Komeito and the DSP had senior officials ensnared in the Recruit affair, which may have made these parties appear as tainted as the LDP. The Communists, who emerged relatively unscathed from the influence-peddling scandal, nevertheless were hurt by international developments beyond their control. The electorate negatively associated the JCP with the communist regime in Beijing, which less than two months before had brutally quashed a student-led democracy movement.

As mentioned, the opposition parties have indicated that they will use their majority in the upper house to block certain ruling party initiatives and champion their own proposals. But it remains to be seen whether the Socialists can forge a united opposition front. The JSP itself is a party with a long

history of ideological factionalism. Thus, it may be difficult for the JSP to reach internal agreement on a variety of policy issues, let alone bridge the ideological differences among the other opposition parties (see JEI Report No. 41A, October 28, 1988). On the consumption tax, for example, the JSP has advocated abolishing the tax and, in its place, raising property taxes as well as making stock market transactions liable to a capital gains tax. While Komeito concurs that the consumption tax should go, the DSP favors retaining it.

For the longest time the biggest policy difference among the opposition parties was on defense: the JSP historically argued for abolishing the U.S.-Japan Mutual Security Treaty and dismantling Japan's Self-Defense Forces, while the DSP and Komeito supported Japan's defense relationship with the United States and the maintenance of defensive military forces. While the JSP appears to have adopted a softer line in recent statements on defense, conceding that it is not "realistic to think of an overnight abolishment of the Self-Defense Forces," it is unclear how far Ms. Doi will be willing to bend on an issue that has been a central plank of her party's platform. For that matter, given the primarily rhetorical nature of their policy proposals, it is questionnable whether the JSP and other opposition parties carefully have thought through how their policies might be implemented -- and whether these policies indeed would be improvements over any LDP efforts to address social and economic issues.

One analyst has suggested that rather than the JSP, Rengo, the political arm of the Japanese Private Sector Trade Union Confederation, may provide the "adhesive" that holds the noncommunist opposition parties together.[3] Whereas labor unions in the past lent their support to the JSP, DSP or JCP, the Rengo party was formed so unions might achieve through the political process what they were unable to realize through traditional labor-management negotiations. Rengo enjoys the support of all four major opposition parties. Of the 12 candidates it fielded in the upper house elections, 11 won -- an outcome Kent Calder of Princeton University described as "one of the most important developments of the election."

The new political entity has yet to clarify its policies and political ideology and does not appear to be in too great a rush to do so. Instead of focusing on policies, Rengo apparently sees its role as that of an opposition party facilitator or coordinator. According to Hideo Yamauchi of Keio University, Rengo "is a new breed of political group that is not conservative and not reformist, pursuing efficacy so it can be an adhesive to tie up various political parties."

While this sounds exactly like what the opposition parties need in order to effectively challenge the ruling party, it is too soon to tell whether Rengo can realize its aspirations. If it does not secure seats in the House of Representatives, it probably will not be able to keep the political opposition "glued" together.

LDP Scrambles to Retain Power

The LDP's August 8 selection of Toshiki Kaifu as party president and subsequently prime minister represented the ruling party's anxious effort to

[3]Masayoshi Kanabayashi, "Japan's Unions, Slipping at Workplace, Emerge as an Intriguing Political Force," Wall Street Journal, July 28, 1989.

demonstrate to the electorate that it is open to new ideas and willing to change. New election procedures and reforms in the candidate-selection process, however, were not enough to offset indications that the ruling party had retained much of its intraparty political wheeling and dealing in selecting the 58-year-old former education minister for the top leadership slot. Time will tell whether the reforms made so far will be followed by future actions aimed at restoring the public's faith in the ruling party or whether Mr. Kaifu's selection will be viewed as a new twist on the old LDP "business-as-usual" theme. If the latter view takes hold, voters could wield the ruling party another -- far more disruptive -- setback in the lower house elections.

One important break from the back-room bargaining that has characterized the ruling party's previous selection of its leaders was a decision by the LDP presidential management committee to allow members to vote by secret ballot for the new party president. Of the 447 LDP Diet members and delegates from each of the party's 47 prefectural organizations that cast votes August 8, Mr. Kaifu received 279 votes; his competitors, Yoshio Hayashi and Shintaro Ishihara, received 120 votes and 48 votes, respectively. By allowing prefectural representatives to participate for the first time ever, the LDP further opened the leadership selection process.

Another important reform decreased the number of Diet supporters needed by each potential LDP presidential candidate from 50 to 20. This change was meant to give politicians with smaller power bases as much of an opportunity to run for party leader as the major faction players. Even American-style political campaigning had an influence as the LDP election management committee sponsored a televised debate August 7 featuring Messrs. Kaifu, Hayashi and Ishihara. Although the candidates gave no ground-breaking policy statements or particularly stirring speeches, this event appeared to allow the Japanese public access to the leadership selection process that it never before had known.

In addition to these procedural changes, the LDP hopes its selection of Mr. Kaifu will persuade voters of the LDP's new outlook and woo them away from the magnetic Ms. Doi. Although lacking economic and foreign policy experience, Mr. Kaifu is considered one of the "younger generation" of ruling party politicians and is noted for his general competence and an eloquent speaking style. The new prime minister also is a former protege of the late Prime Minister Takeo Miki, who, during his tenure in the mid-1970s, was a strong advocate of political reform. Ruling party elders hope this association will suggest to voters the sincerity of the LDP's commitment to enact a comprehensive package of political reforms submitted May 19 to the Diet but not yet fully acted on (see JEI Report No. 21B, May 26, 1989).

Further reinforcing the idea of change in the ruling party, Mr. Kaifu took some bold new steps in naming his cabinet. While following the tradition of equitably allocating assignments to each of the major factions, the new prime minister appeared to deliberately pass over party elders to appoint younger colleagues, many of whom had never served in the cabinet. Thirteen of the 21 appointees reportedly are cabinet first-timers. In what may count as one of the most significant breaks from previous cabinet appointments, Mr. Kaifu chose two women to serve in his administration, an obvious attempt to win back Japanese women's trust and faith in the LDP. Sumiko Takahara, 56, will head the Economic Planning Agency and Mayumi Moriyama, 61, will lead the Environment Agency. (See JEI Report No. 32B, August 18, 1989 for a complete listing of the Kaifu cabinet.)

In the policymaking area the new prime minister has emphasized that his priorities are domestic issues, specifically the consumption tax and political reform, which is not altogether surprising since these issues contributed to the LDP's loss of control of the upper house. LDP members indicated even before the upper house election that the ruling party probably would consider modifications to the consumption tax -- such as doing away with the exemptions for private medical practitioners and/or expanding exemptions for basic necessities -- during the Diet's regular session that will convene in the fall. Mr. Kaifu has taken this promise one step further and proposed earmarking the tax for social welfare expenses in an effort to make the revenue-raising measure more palatable for voters.

This is not a new idea; former Prime Minister Takeshita proposed this approach in early 1987 but received stiff opposition from the Finance Ministry, which does not want to have its hands tied on how government revenues should be spent. The Japanese press recently reported that MOF can be expected to show continued resistance. But it is unclear whether Ryutaro Hashimoto, the new finance minister and one-time prime ministerial contender, will stand firm with MOF bureaucrats, back Mr. Kaifu's proposal or act as a middleman in finding a compromise.

Finance may feel pressured to bend if, as some analysts have speculated, the consumption tax/welfare linkage proves to be useful from a strategic political standpoint. Although Ms. Doi campaigned strongly against the tax, her party is not united in opposition. The more right-leaning segment of her party, which is close to the DSP on some issues, apparently favors a type of "welfare tax." Thus, if the Kaifu administration can recast the tax in this manner, it probably would be difficult for Ms. Doi to effectively orchestrate upper house resistance. This, in turn, might splinter the Socialists, which could complicate their goal of matching their summer gains in the next lower house election.

Political reform will be an equally challenging task for the new prime minister. In an August 7 campaign speech Mr. Kaifu acknowledged that "the environment surrounding the LDP is now the hardest since its founding [in 1955]," and he pledged to enact the package of political reforms prepared by former Prime Minister Takeshita's panel of "wise men." Designed to put an end to the money-guzzling campaigns and constituent services that fit hand in glove with the Recruit corruption, these measures would require more extensive financial disclosure from Diet members and prohibit the use of stock trading or other speculative deals as political contributions (see JEI Report No. 18B, May 5, 1989).

The ruling party has indicated its desire to enact these measures during the regular Diet session in the hope that this will provide the electorate with concrete evidence that the LDP has abandoned "money politics." Time is of the essence, particularly since the lower house elections must be held before July 1990. Given its flagging public support, the LDP naturally wants to wait as long as possible before agreeing to hold these elections in the hope that time will ease the public's anger. Ms. Doi, conversely, has been riding the LDP hard to schedule the elections as soon as possible so her party can continue to reap electoral benefits from the ruling party's problems.

But political insiders maintain that, as with the consumption tax, the Socialists are of two minds on this issue as well. On the one hand, they

support Ms. Doi's position and acknowledge that recruiting fresh new faces to run on the JSP ticket could enhance the Socialists' prospects. On the other hand, long-time JSP supporters who have been waiting patiently in the wings are anxious to try for a lower house seat now that prospects for the party have improved; they might feel upstaged by the new recruits. In addition, some JSP members are concerned that the party does not have enough qualified candidates for each of the 512 seats in the more powerful lower chamber and would just as soon wait before plunging into a new, far more extensive campaign. Nevertheless, the LDP reportedly is preparing for what it sees as a worst-case scenario -- that is, it is attempting to gird itself for lower house elections in either October or November.

Even if the LDP does secure enactment of the political reforms before the lower house elections, it is problemmatic that the party's image problems will be rectified by this legislation alone. The Japanese electorate sees quite plainly that the new prime minister, although "formally" chosen by secret ballot, in fact was propelled to the top by the same factional bargaining that has determined Japan's prime ministers for the past 34 years.

As recently as August 2, for example, Toshio Komoto, a 78-year-old former trade minister and head of the 30-member faction of which Mr. Kaifu is a member, was considered a contender for the top post. However, he was eased out by party elders so that his more politically attractive lieutenant could run for the party presidency. Similarly, Mr. Hashimoto, considered the LDP's most popular politician at the grass-roots level and a member of the Takeshita faction, was knocked out of the running by his own faction leaders. The official reason given was that the Takeshita faction decided to forgo fielding a candidate to atone for pushing the candidacy of Mr. Uno, whose embarrassing political baggage helped drag the party down to defeat in the July 23 elections. Japanese political insiders suggest the real reason is because Mr. Hashimoto was not popular with some party elders.

Mr. Kaifu, however, was put forward as a safe compromise between those in the party who felt that a new direction was needed and those who were reluctant to abandon the LDP's "elder statemen" leadership style. Thus, with both Messrs. Hashimoto and Komoto out of the way, it was not difficult for Mr. Kaifu to line up the support of four of the six intraparty factions by the August 4 deadline for candidate registration, thereby assuring his election to party president four days later (see JEI Report No. 31B, August 11, 1989).

This maneuvering was not lost on the Japanese public. In view of the intraparty wheeling and dealing that preceded Mr. Takeshita's accession to the prime minister post -- and subsequent revelations of sizeable contributions from Recruit that appeared to coincide with his final lock on the position -- the electorate would not be merciful in the voting booth if even the slightest hint of LDP-related graft were to surface in connection with Mr. Kaifu's selection.

Prospects: A Coalition Government?

Political developments - The biggest question on the minds of Japan watchers is whether the LDP will lose control of the government. As the above suggests, this will depend, in part, on how the Kaifu administration deals with the consumption tax and whether the ruling party makes good on its pledge to

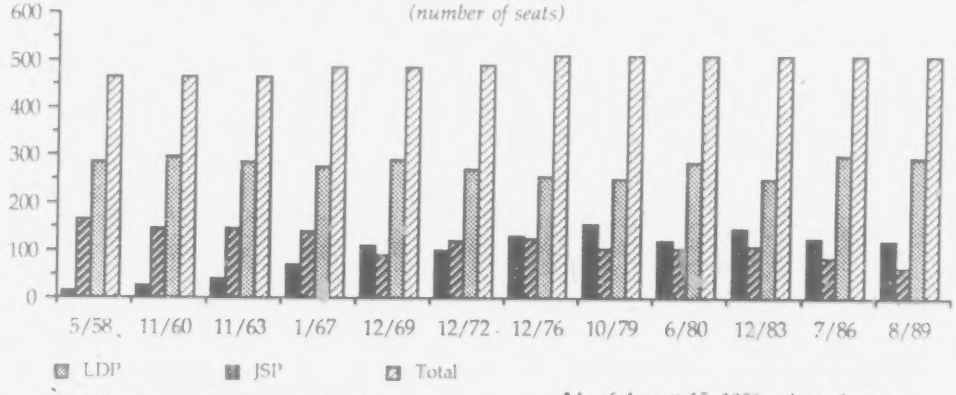
enact political reforms and stays "clean" of further charges of political corruption. It also will depend on whether Mr. Kaifu, unlike his immediate predecessor, successfully projects an image of leadership competence and stability. His supporters contend that the new prime minister, despite his lack of high-level leadership experience, has what it takes to lead the LDP out of its mess and stands a good chance of being reelected party president in October. (October would have marked the end of Mr. Takeshita's term.)

Mr. Kaifu's critics, however, portray the new prime minister as nothing but a "seatwarmer" for a party elder, such as former LDP secretary general Shintaro Abe, who was considered Mr. Takeshita's heir apparent before the Recruit affair forced them both from office. Should the latter scenario play out before the lower house elections, the electorate no doubt will go to the polls with renewed anger that the LDP has misled them again and cast their votes accordingly. Mr. Abe played an important role in arranging both Mr. Uno's and Mr. Kaifu's moves into power. If he were to gain the lead job, the LDP's image of power politics would gain even greater prominence.

But even if the ruling party again selects Mr. Kaifu to lead the party, it is unclear whether this would shore up LDP support at the grass roots. Disillusionment with the ruling party has become so deep-seated that a surprising number of prominent members of the business community voted for Socialists in the July 23 elections. As discussed above, their voting behavior was largely retaliatory. The electorate was not terribly concerned about the policy implications of its actions, analysts contend, because the House of Councillors is not the main governing body. But voters would not behave so dramatically in selecting representatives for the powerful House of Representatives, the argument goes, particularly when LDP-led governments have brought them economic prosperity and propelled the nation to a global economic leadership position. Also, as indicated in Chart 3, during the course of its 34 years in power the ruling party has had its share of ups and downs and, even after the worst of its upsets (such as in 1983), has been able to rebound.

Chart 3: Results of Lower House Elections, 1958-1989*

(number of seats)



Source: Gerald L. Curtis, The Japanese Way of Politics (New York, N.Y.: Columbia University Press, 1988).

**As of August 15, 1989, a lower house election had not yet been held. The 1989 figures reflect the parties' current strength in this chamber.*

However, economic conditions appear to have created a markedly different political climate in 1989. Reports of lucrative stock "gifts" to politicians are no longer tolerable to a population frustrated with the gap between their standard of living and the country's global economic power. Japanese political insiders speculate that, notwithstanding Mr. Kaifu's able stewardship, the LDP will incur additional losses in the lower house elections. One analyst forecasts that ruling party strength may drop to as low as 240 seats, down from its current 293. While this outcome by no means hands the reins of power to the JSP, the LDP would have to form a coalition with one or more of the opposition parties in order to govern effectively.

It is unclear who exactly would comprise an LDP/opposition party coalition. Although the DSP and Komeito are closer to the ruling party on policy and ideology, their record on political corruption is not much better than the LDP's, which may not make them very attractive partners. Another scenario might see the LDP drawing from one of the more conservative Socialist factions. If Rengo secures enough seats in the lower house, the labor entity may be another possible coalition partner, particularly since it is relatively nonideological. The most disturbing possibility, in political observers' minds, is that there will be such divisiveness between the LDP and the opposition parties -- as well as within the opposition parties -- that no one will be able to lead the country; a governing vacuum would be created by the resulting paralysis.

Some Japan experts, such as former U.S. Ambassador Mike Mansfield, have argued that the upper house elections have set the stage for the emergence of a two-party system in Japan. This prediction may be premature, even if the LDP loses in the lower house. According to Robert M. Orr Jr. of Temple University-Japan, the structure of the lower house electoral districts is much different from that of the upper house, allowing for much closer relations between individual politicians and their constituents. "Koenkai [politicians' local support groups] is a far more important factor in lower house contests," Mr. Orr says, by way of explaining that voters more often than not vote "for the person" rather than "for the party." Moreover, in many districts the JSP candidates would be competing against other opposition party candidates as well as the LDP for a particular seat. These factors would make it more difficult for the Socialists to surge ahead as they did in the upper house elections.

Policy implications - American observers of recent Japanese political developments are most concerned about how this upheaval will affect Tokyo's trade and defense policies toward the United States. In the short term, there will be virtually no impact since government bureaucrats are insulated from the political process and are vested with the responsibility of administering various aspects of bilateral relations on a day-to-day basis. Negotiations aimed at addressing structural impediments in U.S.-Japan economic relations, for example, will continue as planned, led by the representatives from the relevant ministries. In fact, bureaucrats' influence in government policymaking may well expand as the ruling party turns inward, focusing its attention on domestic economic and political matters. In Prof. Orr's words, "We'll see politicians focus far greater attention on pork-barrel politics than on international politics."

If legislation is required to implement international policy initiatives, the LD may find that it no longer can be as responsive to U.S. or other foreign countries' demands. Given voters' backlash on the beef and citrus import liberalization plan, political analysts foresee greater resistance from

Tokyo in opening up its rice market. There also is speculation that a JSP-led opposition would work hard to derail proposals to dismantle Japan's arcane distribution system since this initiative may create unemployment.

Of deep concern to the Pentagon is whether the JSP's increased influence will affect Japan's ability to satisfy its self-defense roles and missions under the rubric of the Mutual Security Treaty. Juro Matsumoto, the new director general of the Japan Defense Agency, already has pledged to hold down defense spending to approximately 1 percent of Japan's gross national product. Washington is concerned that the JSP will insist that defense budgets be trimmed still more.

Mr. Kaifu has sought to reassure Washington that "the foundation of Japanese diplomacy lies in its relationship with the United States." The new prime minister reportedly plans to visit Washington as early as next month to establish personal relations with President Bush. But the new road could be rocky. Mr. Kaifu, who was in Washington this past May to attend a conference for American and Japanese legislators, was said to have found the mood in the United States "emotional" and not amenable to "logic or reasoning." "Instead of getting emotional, we should talk together and make mutual efforts," he was quoted as saying. In sum, domestic political pressures may force the Japanese government to assume a tougher line in its negotiations with the United States, which means that bilateral relations could enter some tense times.

Conclusion

Are Japanese politics entering a new era? The upper house election results, in effect, have poured cold water on the ruling party and forced it to let go of some longstanding practices. But, as Prof. Orr states, "July 23 was no 'Bastille Day.'" Even if the LDP is forced to form a coalition government as a result of lower house losses, one still cannot conclude that Japan has been swept into political revolution. The electorate appears to have indicated that it wants "cleaner," more responsive politics, not Marxist ideology. The shakeout that is bound to occur during the next six months probably will give the Liberal Democratic Party an opportunity to grow stronger, more open and more credible in voters' eyes. The opposition parties will have their own agenda, but given its years of political expertise the LDP may yet rebound.

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The views expressed in this report are those of the author and do not necessarily represent those of the Japan Economic Institute.